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FOR IMMEDIATE RELEASE
MARCH 26, 2003

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**ALLEN WOLFSON CONVICTED IN U.S. COURT AS SERIAL STOCK
MANIPULATOR WHO DEFRAUDED PUBLIC OF OVER \$7 MILLION**

JAMES B. COMEY, the United States Attorney for the Southern District of New York, announced that ALLEN Z. WOLFSON was convicted today in Manhattan federal court after a month-long trial of conspiracy, securities fraud and wire fraud offenses arising out his scheme to manipulate the stock of six small-cap companies from early 1999 through July 2000, resulting in losses to the public of at least \$7 million.

According to the evidence at trial, WOLFSON was a stock promoter and consultant who operated through a series of front companies he controlled in Salt Lake City, Utah. Through these companies, including Cyberamerica, Inc.; Hudson Consulting, Inc.; and A-Z Professional Consulting, WOLFSON obtained large blocks of free-trading stock in each of six small-cap companies at little or no cost.

WOLFSON then paid secret bribes of as much as 65% of

the purchase price of the stocks to stock brokers in New York to motivate them to sell those stocks to their customers. The evidence at trial established that WOLFSON used a network of corrupt stock brokers in the New York metropolitan area to sell his stock in these companies to the public. In order to protect himself from dealing directly with the corrupt stock brokers, WOLFSON paid a middleman, Michael Grecco, an associate of the Colombo organized crime family of La Cosa Nostra, to handle payments on WOLFSON's behalf to the brokers. The proof at trial showed that WOLFSON paid Grecco as much as 65% of the purchase price of the stock sold by Grecco's brokers; Grecco, in turn, passed on a portion of those bribes to the brokers - often as much as 40% or more of the purchase price of the stocks.

According to the evidence at trial, WOLFSON knew and intended that the corrupt brokers would lie to their customers about, among other things, the existence of the secret bribes. In addition, the proof at trial established that WOLFSON required the corrupt brokers to do two other things before they would be paid their bribes: buy the stock for their customers from market makers designated by WOLFSON, who were holding WOLFSON's stock; and keep their customers from selling the stock for as long as possible, usually approximately six months.

The proof at trial established that WOLFSON and Grecco used corrupt brokers at the following brokers dealers in the

course of their scheme: Royal Hutton Securities, Bell Investment Group, Wolff Investment Group, Carribean Securities, Grady and Hatch & Co., Sharpe Capital, J. Banks Securities, and J.W. Barclay.

According to the evidence at trial, the six companies whose stocks were manipulated in 1999 and 2000 by WOLFSON were:

- ATR Industries, a home-cleaning service operating in and around Palm Beach, Florida;
- Learner's World, Inc., which operated three day-care facilities in Brooklyn, Queens and Manhattan;
- Rollerball International, which manufactured in-line roller skates and was based in Los Angeles, California;
- Healthwatch, Inc., a medical equipment company based in Atlanta, Georgia;
- Hytk Industries, Inc., a natural gas and oil company operating in southeast Kansas; and
- Power Exploration, Inc., an oil exploration company in Texas.

Each of these companies were, at the time of WOLFSON's stock manipulation scheme, consistently losing money. Several of them, including ATR Industries, Learner's World, and Hytk Industries, had little or no market for their stock prior to WOLFSON's scheme to manipulate those securities, according to the Government.

The proof at trial showed that WOLFSON's consulting company, Cyberamerica, employed a staff of cold-callers who

actively sought out distressed public companies in need of financing. When such a target company was identified, WOLFSON then offered consulting services to the company, taking payment in the company's stock. WOLFSON then sold that stock into the demand generated by his manipulation scheme. In two of the charged schemes, involving ATR Industries and Learner's World, WOLFSON promised to raise each company a million dollars in financing through issuing stock under the "seed capital" exemption from stock registration requirements, under Regulation D, Rule 504 issued by the Securities and Exchange Commission.

WOLFSON then arranged for a series of front companies he controlled to receive all of the stock issued through those offerings, totaling millions of shares in both ATR Industries and Learner's World. Once those stock offerings were completed, WOLFSON controlled more than 95% of the issued and outstanding shares of both ATR Industries and Learner's World. WOLFSON then paid bribes of as much as 65% of the purchase price of these stocks to brokers to cause their customers to purchase his stock in these companies.

WOLFSON used brokers at J. Banks Securities and Carribean Securities in New York to sell his ATR and Learner's World stock to the public. The trial evidence showed that WOLFSON sold, through his nominee entities, at least \$889,000 of ATR Industries stock, and at least \$1,715,000 of Learner's World stock during 1999. After he confirmed that his shares were sold to the bribed brokers' customers, WOLFSON wired the bribe money

to an account controlled by Michael Grecco in Anguilla, West Indies. Grecco then repatriated the money and used it to pay the corrupt stock brokers their promised bribes.

According to the evidence at trial, WOLFSON was charged in federal court in New York in 1996 with securities fraud, arising from his paying a 20% bribe to an undercover FBI agent, posing as a corrupt stock broker, to have the agent sell stock in a company named Alpha Solarco. Although that charge was dismissed in 1997, the evidence at trial included a recorded conversation between WOLFSON and a cooperating witness working with the FBI in which WOLFSON recounted his 1996 arrest for bribing the undercover agent, and explained that the "only thing that got [him] off" that charge was his claim on tape that he "only wanted to do what was legal."

WOLFSON and his son, David Michael Wolfson, currently operate a consulting firm, Feng Shui Consulting, in Salt Lake City, Utah, that provides mergers and acquisitions advice to distressed public companies, according to evidence at trial.

In addition to the charges of which WOLFSON was convicted today, WOLFSON has also been indicted in the Southern District of New York for carrying out another pump and dump stock fraud scheme, involving the stock of Freedom Surf, Inc., in September and October 2000, while WOLFSON was released on bail after his arrest on the charges considered by the jury at this

trial. The Freedom Surf indictment, returned in December 2002, is pending before United States District Judge ALVIN K. HELLERSTEIN. No trial date has yet been scheduled in that case. The defendant is presumed innocent of the charges in the Freedom Surf indictment until and unless proven guilty.

The charges considered by the jury today were first filed against WOLFSON in June 2000, when WOLFSON and six co-defendants were arrested for their roles in the manipulation schemes described above. All six of the other defendants charged in United States v. Wolfson in June 2000 have pled guilty. Michael Grecco was sentenced on January 16, 2002 to 46 months in prison; Robert Balsamo was sentenced on November 16, 2001 to 30 months in prison; Konstantinos Dino Sonitis was sentenced on January 25, 2002 to 5 months in prison and 5 months' home confinement; Vladimir Carvallo, Spiro Lazaretos and John M. Black, Jr. await sentencing.

The arrests of WOLFSON and his co-conspirators on June 14, 2000, were part of the Federal Bureau of Investigation's Operation Uptick, a long-term undercover investigation that featured, among other law enforcement techniques, the use of a series of cooperating witnesses and a court-authorized eavesdropping device in the office of DMN Capital a/k/a "Crabbe Capital." Operation Uptick led to the arrest of 120 defendants on June 14, 2000. To date, more than 95 defendants have been

convicted on charges arising from the Uptick investigation.

WOLFSON, 57, faces a maximum of 65 years in prison for the crimes of which he was convicted today; under applicable Federal Sentencing Guidelines, he faces a recommended sentence of more than 10 years in prison. United States District Judge JOHN G. KOELTL scheduled sentencing for July 11, 2003. Judge KOELTL ordered the defendant remanded after the jury's verdict.

Mr. COMEY praised the Federal Bureau of Investigation, New York Field Office for its efforts in this case.

Assistant United States Attorneys DAVID C. ESSEKS and ROBERT H. HOTZ, Jr. are in charge of the prosecution.

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